

State of Nevada
Gaming Control Board

CPA MICS Compliance Checklist

Auditor's Name and Date

COMPUTERIZED KENO

Licensee _____ Review Period _____

NGC Regulation 6.090(9) requires the CPA to use "criteria established by the chairman" in determining whether a Group I licensee is in compliance with the Minimum Internal Control Standards (MICS). This checklist is to be used by the CPA in determining whether the licensee's computerized keno operation is in compliance with the Computerized Keno MICS.

Date of Inquiry	Person Interviewed	Position

Checklist Completion Notes:

- 1) Unless otherwise instructed, examine a completed document for compliance for those questions referring to records/documentation as indicated and recalculate where appropriate. Indicate (by tickmark) whether the procedures were confirmed via examination/review of documentation, through inquiry of licensee personnel or via observation of procedures. Tickmarks used are to be defined at the bottom of each page.
- 2) All "no" answers require referencing and/or comment, and should be cited as regulation violations, unless the Board Chairman has granted a MICS variation or the question requires a "no" answer for acceptability.
- 3) "(#)" refers to the Minimum Internal Control Standards for Computerized Keno, Version 5.

Minimum Internal Control Standard Note

Note: A shift is any time period, designated by management, up to 24 hours.

Questions	Yes	No	N/A	Comments, W/P Reference
1. Has the licensee's written system of internal control for computerized keno been read prior to the completion of this checklist to obtain an understanding of the licensee's keno operation?				
<u>Game Play Standards</u>				
2. Does the computerized customer ticket include the casino name, city, state, date, game number, ticket sequence number, station number, and conditioning (including multi-race if applicable)? (1) Verify by examination.				
3. Concurrently with the generation of the ticket, is the information on the ticket recorded on a restricted transaction log or computer storage media? (2) Verify by examination.				
4. Are keno personnel precluded from having unrestricted access to the restricted transaction log or computer storage media? (3)				

Verified per representation
Verified per observation/examination

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5. When it is necessary to void a ticket:				
a) For computer voids:				
1) Is the void information input in the computer and does the computer document the appropriate information pertaining to the voided wager (e.g., void slip is issued or equivalent documentation is generated)? (4a1)				
2) Does a supervisor, who is independent of the ticket written, authorize the void by signing the ticket at the time of voiding? (4a2) Note: A supervisor, acting as a writer, may not authorize a void for a ticket which he wrote that is in excess of \$50. (4a2)				
b) For not-in-computer voids:				
1) Is a void designation, date, and time written/stamped on the original ticket? (4b)				
2) Do two individuals, a supervisor and the writer of the ticket, sign the ticket at the time of voiding? (4b)				
6. Do controls exist to prevent the writing and voiding of tickets after a game has been closed and after the number selection process for that game has begun? (5)				
7. Are the controls in effect for tickets prepared in outstations (if applicable) identical to those in effect for the primary keno game? (6) Indicate the location of the outstation(s).				
<u>Number Selection</u>				
<i>Rabbit Ear System</i>				
8. Is a camera utilized to film the empty rabbit ears, date and time, game number and full rabbit ears both prior to, and subsequent to, the calling of a game? (7) Verify by examination.				
9. Does the film of the rabbit ears provide a legible identification of the numbers on the balls drawn? (8) Verify by examination.				
10. Are the selected numbers immediately input into the computer that documents the date, game number, the time the game was closed, and the numbers drawn? (9) Verify by observation.				

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Questions	Yes	No	N/A	Comments, W/P Reference
11. Are procedures in effect which prevent access by one individual to the keno balls in play? (10) Verify by observation.				
12. Are the back-up keno ball inventories secured in a manner to prevent access by one individual? (11)				
13. Are keno balls inspected prior to being placed into play to ensure that all numbers are accounted for and that each ball has an equal chance of being selected during the calling of the game? (12)				
14. Is the inspection mentioned in the preceding question performed by a minimum of two individuals and is it documented? (12) Verify by examination.				
15. Does the documentation mentioned in the preceding question include the date and time of inspection, procedures performed, the inspection results, the investigation of noted exceptions (if applicable), and the signatures of the individuals completing the inspection? (12) Verify by examination.				
<i>Random Number Generator</i>				
16. If the keno game has a random number generator that determines win or loss, has it received Board and Commission approval as a gaming device? (Note after Random Number Generator heading)				
17. Is the random number generator linked to the computer system so that it directly relays the numbers selected into the computer without manual input? (13)				
18. Are keno personnel precluded access to the random number generator? (14)				
<u>Winning Ticket Verification and Payment</u>				
19. Is the sequence number of the ticket presented for payment input into the computer and the payment amount indicated by the computer paid to the patron? (15) Verify by observation.				
20. Are procedures established to preclude payment on tickets previously presented for payment, unclaimed winning tickets (late pays) after a period of time specified by management, voided tickets, and tickets that have not yet been issued? (16)				

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Testing of payout documentation is required. Select ten payouts from one day within the last seven days and all payouts from a day in a prior month. Indicate test dates selected and results of testing.				
21. Are all payouts supported by the payout amount being indicated on the customer (computer-generated) copy of the winning ticket or a payment slip being issued? (17)				
22. Is a manual report produced and maintained documenting any payments made on tickets which are not authorized by the computer, including payments exceeding the aggregate payout limit? (18)				
23. For payments made on winning tickets which are not paid through the computer system, do supervisory personnel authorize the payment and sign the ticket at the time of payment? (19) Note: Appeasement payments (e.g., nonwinning ticket payouts resulting from a customer complaint or writer error) are not deductible from gross gaming revenue. (19)				
24. Do winning tickets in excess of a specified dollar amount (not to exceed \$10,000 for locations with more than \$5 million in annual keno write and \$3,000 for all other locations) also require the following: State the dollar amount: _____				
a) Approval of management personnel independent of the keno department evidenced by their signature? (20a)				
b) For rabbit ear systems, review of the videotape or developing the film of the rabbit ears to verify the legitimacy of the draw and the accuracy of the draw ticket? (20b)				
c) Comparison of the winning customer copy to the computer reports? (20c)				
d) Regrading of the customer copy using the payout schedule and draw information? (20d)				
e) Documentation and maintenance of the performance of all of the above procedures? (20e)				

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25. When the keno game is operated by one person, are all winning tickets in excess of an amount to be determined by management (not to exceed \$1,500) reviewed, authorized and ticket signed by a keno supervisor or by someone independent of the keno department? (21) State the dollar amount _____				
<u>Multi-Race</u>				
26. Are procedures established to notify keno personnel immediately of large multi-race winners to ensure compliance with MICS #20? (60)				
27. Do controls exist to ensure that keno personnel are aware of multi-race tickets still in process at the end of a shift? (61)				
28. Are all games encompassed by a multi-race keno ticket completed within 14 days of the wager being placed? (62)				
<u>Check Out Standards</u>				
29. Does the computer system indicate the amount of net cash that should be in each writer station and is a supervisor required to access this information? (22) Verify by examination.				
Testing of the cash summary report (count sheet) is required. Select one cash summary report (count sheet) for 2 days. Test days must be in non-consecutive months. Indicate test dates selected and results of testing.				
30. For each writer station is a cash summary report (count sheet) prepared at the conclusion of each shift that includes:				
a) Computation of the cash turned in for the shift and any variances between the cash turn-in and the amount of net cash that the computer system indicates should be in each writer station? (23a)				
b) Signatures of two employees who have verified the cash proceeds turned in for the shift? (23b)				
<u>System Security Standards</u>				

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Questions	Yes	No	N/A	Comments, W/P Reference
31. Are all keys (including duplicates) to sensitive computer hardware in the keno area maintained by a department independent of the keno function? State the department. (27)				
32. Is someone independent of the keno department required to accompany such keys to the keno area and observe changes or repairs each time the sensitive areas are accessed? (28)				
<u>Promotional Payouts, Drawings and Giveaway Programs</u>				
33. Are the conditions for participating in promotional payouts, including drawings and giveaway programs, prominently displayed or available for patron review at the licensed location? (24) Verify by examination.				
Testing of promotional payout documentation is required. Select one promotional payout form per day for 2 days. Test days should be in non-consecutive months. Indicate test dates selected and results of testing.				
34. Are promotional payouts that are either deducted from gross revenue, or are greater than or equal to \$100 and not deducted from gross gaming revenue, documented to include the following:				
a) Date and time? (25a)				
b) Dollar amount of payout or description of personal property (e.g., car)? (25b)				
c) Reason for payout (e.g., promotion name)? (25c)				
d) Signature(s) of the following number of employees verifying, authorizing, and completing the transaction:				
1) Two employee signatures for all payouts of \$100 or more; or (25d)				
2) One employee signature for payouts of less than \$100 that are deducted from gross gaming revenue? (25d)				
35. If the promotional cash payout is less than \$100 and is not deducted from gross gaming revenue, is documentation created to support the bank accountability? (26)				
<u>Contests/Tournaments</u>				

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Testing two contests/tournaments is required. Contests/tournaments be in non-consecutive months. Indicate contests/tournaments selected and results of testing.				
36. Are all contest/tournament entry fees and prize payouts (including mail transactions) summarized on an accountability document on a daily basis? (37)				
37. When contest/tournament entry fees and payouts are transacted, are they recorded on a document which contains:				
a) Patron's name? (38a)				
b) Date of entry/payout? (38b)				
c) Dollar amount of entry fee/payout (both alpha and numeric)? (38c)				
d) Signature or initials of the individual completing the transaction? (38d)				
e) Name of contest/tournament? (38e)				
38. Are the contest/tournament entry fees and payouts summarized and posted to the accounting records on at least a monthly basis? (39)				
39. Are contest/tournament rules included on all entry forms/brochures and prominently displayed or available for patron review at the licensed location? (40)				
40. Do the rules mentioned in the preceding question contain at least the following:				
a) All conditions that patrons must meet to qualify for entry into, and advancement through, the contest/tournament? (40a)				
b) Specific information pertaining to any single contest/tournament, including the dollar amount of money placed into the prize pool? (40b)				
c) The distribution of funds based on specific outcomes? (40c)				

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41. Are the results, including the name of the event, date(s) of the event, total number of entries, dollar amount of entry fees, total prize pool, and the dollar amount paid for each winning category, of each contest/tournament recorded and available for patrons to review? (41)				
42. Is the name of each winner recorded and maintained, but not made available to the participants unless authorized by management personnel? (41)				
43. Are the aforementioned contest/tournament records maintained for each event? (42)				
<u>Documentation</u>				
Testing of documentation is required. Select one day per month for two months. Test days should be in non-consecutive months. Indicate test dates selected and results of testing.				
44. Is adequate documentation of all pertinent keno information generated by the computer system? (29)				
45. Is the documentation referred to in the preceding question restricted to authorized personnel? (30)				
46. Does the documentation include, at a minimum, the following:				
a) Ticket information including the date, game number, ticket sequence number, station number, and conditioning, including multi-race, if applicable? (31a)				
b) Payout information (e.g., date, time, ticket number, amount, etc.)? (31b)				
c) Game information (e.g., number, ball draw, time, etc.)? (31c)				
d) Daily recap information including write, payouts and gross revenue (a.k.a. win)? (31d 1-3)				
e) System exception information including voids, late pays and appropriate system information (e.g., changes in payable, ball draws, payouts over a predetermined amount, etc.)? (31e 1-3)				
<u>Accounting and Statistical Records</u>				

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Testing of the keno revenue summary is required. Select the keno revenue summary for 2 days. Test days should be in non-consecutive months. Indicate test dates selected and results of testing.				
47. Are records maintained which include win and write by individual writer for each day? (32)				
48. Is the daily keno recap information used to prepare a keno revenue summary maintained and include (for each licensed game) the write, payouts, win and win-to-write hold percentage for:				
a) Each shift (unless the keno game operates on a single 24-hour shift basis)? (33a)				
b) Each day? (33b)				
c) Month-to-date? (33c)				
d) Year-to-date? (33d)				
49. Does non-keno management review the keno revenue summary statistical information at least on a monthly basis and investigate large or unusual statistical fluctuations? (34)				
50. At a minimum, are investigations performed for statistical percentage fluctuations from the base level for a month in excess of +/- 3%? (35) Note: The base level is defined as the licensee's win percentage for the previous business year or the previous 12 months. (35)				
51. Are the investigations required by the preceding question documented and maintained? (36)				
<u>Miscellaneous</u>				
52. Are all documents, including computer storage media, discussed in these standards retained for 5 years except for the following, which must only be retained for at least 7 days:				
a) Videotape/film of rabbit ears? (59a)				
b) All copies of losing keno tickets? (59b)				

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c) All copies of winning keno tickets of less than \$1,500? (59c)				
d) The information in MICS #31(a), (b), and (c) not related to payouts of \$1,500 and more? (59d) Note: The customer presented inside ticket does not need to be maintained. (59)				
<u>Payout Procedures for Mail-In Winning Tickets</u>				
53. Do accounting/audit personnel or personnel independent of the keno department receive the original winning keno ticket? (63)				
54. Do accounting/audit personnel or personnel independent of the keno department record the winning keno ticket on a log as a mail pay? (64) Verify by examination.				
55. Does the log mentioned in the preceding question include the date received, patron's name and keno ticket number? (64) Verify by examination.				
56. Are the winning keno tickets entered into the computer system for validation and then cancellations as a mail pay? (65)				
57. Do accounting/audit personnel compare the "paid" winning keno tickets to the mail pay log and the system report for "paid" winning keno tickets with any discrepancies being documented and reviewed with keno and accounting management personnel? (66)				
58. Do accounting/audit personnel, independent of the individual(s) who processed the mail pay winning ticket, review the patron's correspondence submitted, the winning keno ticket, the mail pay log and the system report for "paid" winning keno tickets for any discrepancies, with any discrepancies being documented and resolved prior to remitting the proper payment amount to the patron? (67)				

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<u>Accounting/Audit Standards</u> Note 1: Board approved software may be used to perform some of the auditing standards. Note 2: When a multi-race ticket is part of the sample selected in MICS #45(b), #47(a), and #48, the procedures can be performed for 10 games or 10% of the games won, whichever is greater. Note 3: All audit procedures outlined in this section must be performed for each licensed keno game. Note 4: All audit procedures must be performed utilizing the restricted copy of reports produced by the keno system.				
Review of documentation evidencing the performance of computerized keno accounting/audit standards is required. Select the appropriate documentation to determine that all required procedures are being performed.				
59. Are the keno audit procedures conducted by someone independent of the keno operation? (43)				
60. At least annually, do keno accounting/audit personnel foot the write on the restricted copy of the keno transaction report for a minimum of one shift and compare it to the total that is documented by the computer? (44)				
61. For at least one shift every other month do keno accounting/audit personnel perform the following:				
a) Foot the customer copy of the payouts and trace the total to the payout report? (45a)				
b) Regrade at least 1% of the winning tickets using the payout schedule and draw ticket? (45b)				
62. Do keno accounting/audit personnel also perform the following:				
a) For a rabbit ear system without a direct interface to the computer system, compare the videotape/film of the rabbit ears to the transaction report for a minimum of five games per week? (46a)				

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b) For rabbit ear systems that are directly interfaced to the computerized keno system, compare the videotape/film of the rabbit ears to the keno transaction report for a minimum of ten games per month? (46a)				
c) When manual ball draw changes are made to the direct interface, are all changes audited and compared to the rabbit ears videotape/film? (46a)				
d) Compare net cash proceeds to the audited win/loss by shift on a daily basis and investigate any large cash overages or shortages (i.e., in excess of \$25)? (46b)				
e) On a daily basis, review and regrade all winning tickets greater than or equal to \$1,500, including all forms which document that proper authorizations and verifications were obtained and performed? (46c)				
f) Review the documentation for payout adjustments made outside the computer on a daily basis and investigate large and frequent payments? (46d)				
g) Review system exception information on a daily basis for propriety of transactions and unusual occurrences? (46e)				
h) If a random number generator is used, then at least weekly is the numerical frequency distribution reviewed for potential patterns during the previous four-week period? (46f)				
i) If a rabbit ear system is used and the computerized keno system generates a drawn number frequency report, then at least weekly is the numerical frequency distribution reviewed for potential patterns and missing numbers during the previous four-week period? (46g)				
j) Investigate and document all improper transactions or unusual occurrences? (46h)				
63. In addition to the aforementioned keno audit procedures, for each day when the keno game is operated by one person, do accounting/audit personnel perform the following:				
a) Regrade the customer copies of all winning tickets in excess of \$500 and at least 10 other winning tickets per week and trace them to the computer payout report? (47a)				

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b) Randomly compare the videotape/film of the rabbit ears to the keno transaction report for at least 10% of the games during the shift? (47b) Note: This step does not apply to rabbit ear systems that are directly interfaced to the computerized keno system unless a ball draw change is made manually. All manual changes associated with directly interfaced systems are audited and compared to the rabbit ear films. (47b)				
c) Review winning tickets for proper authorization pursuant to MICS #21? (47c)				
d) Review voided tickets in excess of \$50 for proper supervisory approval? (47d)				
64. In the event any person performs the writer and deskman functions on the same shift, are the procedures described in MICS #47(a), (b) and (d) (using the sample sizes indicated) performed on tickets written by that person? (48)				
65. Do accounting/audit personnel review all not-in computer voids on a daily basis for a void designation and proper supervisory approval? (49)				
66. Do accounting/audit personnel review all contests, tournaments, promotional payouts, drawings, and giveaway programs monthly to determine proper accounting treatment and proper win/loss computation? (50)				
67. For all contests, tournaments, promotional payouts, drawings, and giveaway programs is the following documentation maintained:				
a) Copies of the information provided to the patrons describing the contests, tournaments, promotional payouts, drawings, and giveaway programs? (51a)				
b) Effective dates? (51b)				
c) Accounting treatment, including general ledger accounts, if applicable? (51c)				

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68. Do accounting/audit personnel perform procedures (i.e., interviews, review of payout documentation, etc.) monthly to ensure that promotional payouts, drawings and giveaway programs are conducted in accordance with the conditions provided to the patrons? (52)				
69. Do accounting/audit personnel reconcile all contest/tournament entry and payout forms to the dollar amounts recorded in the appropriate accountability document daily? (53)				
70. When payment is made to the winners of a contest/tournament, do accounting/audit personnel reconcile the contest/tournament entry fees collected to the actual contest/tournament payouts made? (54) Note: This reconciliation is to determine whether, based on the entry fees collected, the payouts made and the amounts withheld by the gaming establishment, if applicable, were distributed in accordance with the contest/tournament rules. (54)				
71. Do accounting accounting/audit personnel reconcile gross revenue from the keno revenue summary to the monthly NGC tax return each month, document and maintain the reconciliation, and are any variances noted reviewed, documented and maintained? (55) For one month review the reconciliation to verify the proper completion of the reconciliation and to determine that the variance amount is accurate. Indicate the month/year reviewed and the results of the review.				
72. Is a quarterly inventory of all sensitive keno keys performed and reconciled to records of keys made, issued and destroyed? (56)				
73. Are investigations performed for all keys unaccounted for, with the investigations being documented? (56)				
74. Is documentation (e.g., log, checklist, notation on reports, and tapes attached to original documents) maintained evidencing the performance of keno audit procedures, the exceptions noted and follow-up of all keno audit exceptions? (57) Verify by examination.				
75. Does non-keno management review keno audit exceptions and perform and document investigations into unresolved exceptions? (58)				

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<u>Written System of Internal Control</u>				
76. Has the licensee's written system of internal control for computerized keno been re-read prior to responding to the following question?				
77. Does the written system of internal control for computerized keno reflect the actual control procedures in effect for compliance with the MICS, variations from the minimum internal control standards approved pursuant to Regulation 6.090(8), and Regulation 14 associated equipment approvals? [Regulation 6.090(13)]				

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